



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

November 2, 2001

S. 1140

Motor Vehicle Franchise Contract Arbitration Fairness Act of 2001

As ordered reported by the Senate Committee on the Judiciary on October 18, 2001

CBO estimates that implementing S. 1140 would cost less than \$500,000 annually, assuming the availability of appropriated funds. Enacting the bill would not affect direct spending or receipts, so pay-as-you-go procedures would not apply. S. 1140 contains no intergovernmental mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would not affect state, local, or tribal governments. It would impose private-sector mandates as defined by UMRA, but CBO estimates that the direct costs of those mandates would fall well below the threshold established by UMRA (\$113 million in 2001, adjusted annually for inflation).

S. 1140 would provide that contract disputes between motor vehicle manufacturers and motor vehicle dealers can be resolved by arbitration only after both parties agree to arbitration as a means of settling the dispute. Under current law, manufacturers can include clauses in contracts with dealers that provide for mandatory arbitration if a contract dispute would arise.

CBO estimates that implementing this bill could increase costs to federal courts to the extent that such contract disputes are tried in federal court. Based on information from the Administrative Office of the United States Courts, CBO estimates that any increase in federal costs would be less than \$500,000 a year because of the relatively small number of cases expected. Any additional costs would be subject to the availability of appropriated funds.

S. 1140 would impose private-sector mandates on certain motor vehicle manufacturers and arbitrators involved in disputes arising out of or relating to a motor vehicle franchise contract by allowing arbitration only after both parties in a dispute agree in writing to arbitration, and by requiring an arbitrator elected to resolve a dispute to provide the parties with a written explanation of the basis for the award. Based on information provided by the National Automobile Dealers Association, the Association of International Automobile Manufacturers, and the American Arbitration Association, CBO estimates that the direct cost of those mandates would fall well below the threshold established by UMRA.

The CBO staff contacts for this estimate are Lanette J. Walker (for federal costs), and Paige Piper/Bach (for the private-sector impact). This estimate was approved by Peter H. Fontaine, Deputy Assistant Director for Budget Analysis.